

In the Matter of)	No. G2000-20
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
RED SHIELD INSURANCE COMPANY)	AND ORDER ADOPTING REPORT

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **RED SHIELD INSURANCE COMPANY** (the Company) as of December 31, 1998, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions and comments and recommendations was transmitted to the Company for its comments on March 24, 2000. The Company's response dated March 29, 2000 is attached hereto only to facilitate review and for no other purpose.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 20 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **RED SHIELD INSURANCE COMPANY**.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 2 and 3:

1. The Company is instructed to amend the Bylaws to reflect the change to the current principal place of business in accordance with RCW 48.07.020.
2. The Company is instructed to obtain an appraisal of the real property securing a mortgage loan at the time of the acquisition of the mortgage in compliance with RCW 48.13.140.
3. The Company is instructed to comply with the 4% limitation on investments found in RCW 48.13.030.
4. The Company is instructed to include salaries paid to the claims department employees located in Portland, Oregon, in the loss adjustment expenses in compliance with RCW 48.12.140.
5. It is recommended that all officers and directors of the Company individually complete a separate and dated Conflict of Interest Statement rather than signing in an acknowledgement page. The currently signed Conflict of Interest Statement should also be updated to exclude officers that have terminated their employment with the Company.

ENTERED at Lacey, Washington, this 5th day of April, 2000.

DEBORAH SENN
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division